

# **Exhibit A**

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YITZCHOK KLUG  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK  
-----X  
SECURITIES AND EXCHANGE COMMISSION,  
  
Plaintiff,  
  
No. 12-CV-6421 (KMK-JCM)  
  
v.  
EDWARD BRONSON and E-LIONHEART  
ASSOCIATES, LLC, d/b/a FAIRHILLS  
CAPITAL,  
  
Defendants,  
  
and  
FAIRHILLS CAPITAL, INC.,  
  
Relief Defendant.  
-----X

DEPOSITION OF YITZCHOK KLUG  
New York, New York  
Tuesday, March 1, 2016

REPORTED BY: BARBARA R. ZELTMAN  
Professional Stenographic Reporter  
  
Job Number: 104177

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1 YITZCHOK KLUG

2 Q Is there any reason today why your  
3 deposition shouldn't go forward?

4 A No.

5 Q I'm just going to start by asking  
6 you a few questions about your background.7 Can you tell me a little bit about  
8 your education starting post high school?9 A Post high school I went to Pace  
10 University -- I'm sorry. First I went to  
11 Brooklyn College and I earned a Bachelor of  
12 Arts. I think it was in economics.13 Then I went to Pace University,  
14 earned an MBA in corporate financial  
15 management, and then I went to Brooklyn Law  
16 School and earned a JD.17 Q Can you just briefly for each of  
18 your three degrees tell me when you  
19 graduated?20 So for Brooklyn College, do you  
21 recall when you graduated?

22 A My guess is --

23 Q Best approximation.

24 A 1985.

25 Q How about Pace?

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1 YITZCHOK KLUG

2 A 1988 or '89.

3 Q Did you take any time off between  
4 Brooklyn College and Pace?

5 A I don't believe so.

6 Q Did you work between Brooklyn  
7 College and Pace?8 A I think I worked while I was at  
9 Pace. I worked during the day and I went to  
10 night school.11 Q You said from Pace you went to  
12 Brooklyn Law School?

13 A Not directly.

14 Q What you did you do between Pace  
15 and law school?16 A Various jobs. Nothing in the  
17 financial industries. I worked in real  
18 estate, real estate management, sales,  
19 wholesale and retail.20 Q And so I think you said you  
21 graduated the Pace MBA program in about 1988  
22 or '89, give or take?

23 A That's correct.

24 Q And how many years did you work  
25 before going to Brooklyn Law School?

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1 YITZCHOK KLUG

2 A I think I started law school around  
3 '96.4 Q When did you graduate from Brooklyn  
5 Law School?

6 A 2001.

7 Q What was your employment post law  
8 school, right after law school?

9 A I came directly to the SEC.

10 Q What were you hired to do at the  
11 SEC?12 A My position was law clerk. I can't  
13 tell you that I remember specifically what I  
14 was hired to do.15 Q And I would just remind you to keep  
16 your voice up so the court reporter makes  
17 sure she gets everything you are saying.18 So you joined the SEC in 2001 as a  
19 law clerk?20 A I believe that was the title. This  
21 is prior to being admitted to the Bar. So  
22 whatever the title is, not sure that I  
23 remember that correctly.24 Q I'm going to ask you questions  
25 about maybe some of your positions at the

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1 YITZCHOK KLUG

2 SEC over the years, but before I do that,  
3 since you joined the SEC after graduating  
4 law school, have you had any other  
5 employers?

6 A No, I have not.

7 Q You've worked for the SEC from  
8 2001, approximately, to the present?

9 A That's correct.

10 Q Can you briefly -- withdrawn.

11 Can you describe for me your  
12 positions and responsibilities over the  
13 years at the SEC?14 A I went from being a law clerk to  
15 being a staff attorney to being senior  
16 counsel.

17 My responsibilities --

18 Q I'd like to just break that down.

19 You were a staff attorney during  
20 what period? Years?21 A Probably about 2002/2003 until 2013  
22 or so.

23 Q Okay.

24 And in 2013 you became senior  
25 counsel?

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1 YITZCHOK KLUG  
 2 A Correct.  
 3 Q And is that what your current title  
 4 is, senior counsel?  
 5 A Yes, it is.  
 6 Q What's the difference between staff  
 7 attorney and senior counsel?  
 8 A There's a grade difference. I  
 9 don't perceive that there is a great  
 10 difference in the responsibilities. I'm not  
 11 doing anything much different than I used  
 12 to.  
 13 Q Can you describe for me your  
 14 general roles and responsibilities as staff  
 15 attorney at the SEC?  
 16 A Sure. I'm assigned cases to work  
 17 on by my supervisor. I work on those cases,  
 18 investigating them.  
 19 And in general, if something should  
 20 come from those cases, they would be or  
 21 could be an enforcement action.  
 22 Q Would you work on the enforcement  
 23 action?  
 24 A I could.  
 25 Q Have you --

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1 YITZCHOK KLUG  
 2 A I'm currently working on an  
 3 enforcement action, yes.  
 4 Q How many other -- in your tenure at  
 5 the SEC, 2011 through now, approximately how  
 6 many enforcement actions have you worked on?  
 7 THE WITNESS: May I ask my  
 8 counsel something?  
 9 (Pause.)  
 10 BY MR. FISCHER:  
 11 Q Sorry, did you want to clarify  
 12 something?  
 13 A Yes. I have worked on four or five  
 14 enforcement actions.  
 15 Q I may come back to that, but have  
 16 any of those enforcement actions involved  
 17 microcap securities?  
 18 A Yes, they have.  
 19 Q How many of them?  
 20 A Three or four.  
 21 Q Just some questions about just  
 22 understanding a little bit about the  
 23 structure of your position.  
 24 And I know you testified that you  
 25 are a staff attorney and sometimes you'll

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1 YITZCHOK KLUG  
 2 work on enforcement proceedings.  
 3 Is there a particular division at  
 4 the SEC that you have worked under or have  
 5 worked for?  
 6 A I work for the Enforcement  
 7 Division.  
 8 Q And you've worked for Enforcement  
 9 during your entire tenure?  
 10 A Correct.  
 11 Q Got it.  
 12 Would you say that over the 15 or  
 13 so years you've been at the SEC that your  
 14 work tends to primarily be focused on  
 15 investigations rather than enforcement  
 16 action?  
 17 A I think it's fair to say that.  
 18 Q Okay.  
 19 I may ask you a series of -- I'm  
 20 going to ask you some questions today that  
 21 focus on a certain time period, probably the  
 22 2007 to 2012 time period, give or take.  
 23 We'll see some e-mails on that  
 24 later.  
 25 During that time period, 2007 to

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1 YITZCHOK KLUG  
 2 2012 time period, can you identify for me  
 3 who your supervisor was?  
 4 A I had two supervisors and I'm not  
 5 sure what dates I switched.  
 6 Q Two supervisors during your  
 7 15-year --  
 8 A Actually, let me take that back.  
 9 There were three supervisors.  
 10 Q During your 15-year tenure?  
 11 A I assume you are asking about my  
 12 direct supervisors.  
 13 Q I am asking about your direct  
 14 supervisors, correct.  
 15 A Three supervisors.  
 16 Q Okay. Who are they?  
 17 A The first is Elizabeth Goot,  
 18 G-O-O-T.  
 19 Q What time period was she your  
 20 supervisor, if you remember?  
 21 A She was my supervisor from 2001  
 22 forward. I don't remember specifically when  
 23 that changed, but I can tell you who the  
 24 next supervisor was.  
 25 Q Before we get to that, do you

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1 YITZCHOK KLUG  
 2 recall what her title was, Ms. Goot?  
 3 A Ms. Goot was a branch chief.  
 4 Q And who was your supervisor after  
 5 Ms. Goot?  
 6 A George Stepaniuk.  
 7 Q What years was he your supervisor?  
 8 A I don't really remember the time  
 9 frame.  
 10 Q How about your third?  
 11 A Michael Paley.  
 12 Q What year was he your supervisor?  
 13 A He's currently my supervisor and I  
 14 think he's been my supervisor for four,  
 15 maybe five years.  
 16 Q So when you became senior counsel  
 17 in 2013, your supervisor remained the same?  
 18 A Yes, it was Michael Paley.  
 19 Q I'm sorry if I asked you this.  
 20 Michael Paley's title was? What was his  
 21 title?  
 22 A I think it's assistant regional  
 23 director, but I'm not certain.  
 24 Q I don't think I asked you for  
 25 Mr. Stepaniuk, his title?

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1 YITZCHOK KLUG  
 2 Q Any working groups?  
 3 A There is another working group that  
 4 I'm part of. I don't remember the exact  
 5 name, but it's also microcap related.  
 6 Q Does the Microcap Fraud Working  
 7 Group ring a bell?  
 8 A That could be it.  
 9 Q And you identified yourself as  
 10 being part of something called the Microcap  
 11 Task Force?  
 12 A Right.  
 13 Q Have you ever heard of something  
 14 called Microcap Fraud Task Force?  
 15 A I have not.  
 16 Q Do you recall the years that you  
 17 were a member of the Microcap Task Force?  
 18 A It's been several years but I don't  
 19 remember exactly when it started, no.  
 20 Q Are you still a member?  
 21 A I am.  
 22 Q We're going to get into later some  
 23 conversations you had by e-mail, maybe  
 24 otherwise, with the Delaware securities  
 25 commissioner Peter Jamison.

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1 YITZCHOK KLUG  
 2 A He's the same title. If I'm  
 3 correct, it's assistant regional director.  
 4 Q Mr. Klug, have you ever been  
 5 deposed before?  
 6 A Yes. Once many years ago.  
 7 Q Can you just briefly describe the  
 8 circumstances of that for me?  
 9 A It happened a very long time ago.  
 10 I believe I was working as a real  
 11 estate manager and someone was injured at a  
 12 building, and I was, as a management agent,  
 13 deposed.  
 14 Q Unrelated to your work at the SEC?  
 15 A Completely unrelated.  
 16 Q Okay.  
 17 During your time at the SEC, have  
 18 you ever been a part of any task forces or  
 19 working groups?  
 20 A Yes.  
 21 Q Can you tell me about that, please.  
 22 A I've been part of the Microcap Task  
 23 Force.  
 24 Q Any other task force?  
 25 A Not that I can recall, no.

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1 YITZCHOK KLUG  
 2 A Okay.  
 3 Q Do you recall those -- very  
 4 generally, do you recall those?  
 5 A I do.  
 6 Q Do you recall whether you were a  
 7 member of the Microcap Task Force at the  
 8 time you had those communications with  
 9 Mr. Jamison?  
 10 A I don't. I don't remember when the  
 11 Microcap Task Force came into being, so I  
 12 can't tell you.  
 13 Q Okay.  
 14 Do you recall whether prior to the  
 15 Microcap Task Force coming into being there  
 16 may have been different iterations of it,  
 17 whether it was called something else? Do  
 18 you have a memory of that?  
 19 A I don't.  
 20 Q What is the Microcap Task Force?  
 21 A It's a group that's primarily  
 22 focused on microcap cases.  
 23 Q What does that mean? Can you give  
 24 me some context what that means?  
 25 A I haven't worked on any accounting

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1 YITZCHOK KLUG  
 2 fraud cases. I haven't worked on anything  
 3 outside of microcap since I joined that  
 4 group.  
 5 Q What's a microcap case? What would  
 6 that mean, in your mind?  
 7 A In my mind, a microcap case would  
 8 be a case involving a microcap company.  
 9 Q We're going to get into what a  
 10 microcap company is. We'll come back to  
 11 that.  
 12 But was there a head, someone who  
 13 led the Microcap Task Force?  
 14 A There are coheads. Michael Paley  
 15 is one of the coheads.  
 16 Q Who is the other cohead?  
 17 A It's changed. It used to be Elisha  
 18 Frank, and it's now Jason Berkowitz.  
 19 Q When did that change happen?  
 20 A Within the last several months.  
 21 Q Are there any internal policies or  
 22 manuals that relate to the Microcap Task  
 23 Force and the work that is done there?  
 24 MR. McGRATH: Just yes or no.  
 25 A No.

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1 YITZCHOK KLUG  
 2 MR. McGRATH: Yes or no?  
 3 A Yes.  
 4 Q Why was it formed?  
 5 MR. McGRATH: Objection.  
 6 Privileged.  
 7 MR. FISCHER: It may not be  
 8 privileged, though.  
 9 MR. McGRATH: You are asking  
 10 him why somebody else within the SEC  
 11 decided to form a task force.  
 12 MR. FISCHER: Well, to the  
 13 extent that that information may --  
 14 that the SEC may have commented on  
 15 that information in the public  
 16 sphere, it may not be privileged.  
 17 MR. McGRATH: Well, all right.  
 18 To the extent that you are aware of  
 19 any public printouts regarding the reason  
 20 why the task force was formed, you can  
 21 answer it.  
 22 But if your knowledge is based on  
 23 internal discussions with other SEC  
 24 staff, I'm going to assert the  
 25 attorney/client, work product privilege?

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1 YITZCHOK KLUG  
 2 Q There are not?  
 3 A Not that I recall.  
 4 Q About how many attorneys are part  
 5 of the Microcap Task Force?  
 6 A I'm not sure. I would only be  
 7 guessing.  
 8 Q More than 50?  
 9 A No.  
 10 Q Fewer than 50?  
 11 A I believe so.  
 12 Q Is the Microcap Task Force  
 13 comprised of SEC attorneys nationally, or is  
 14 it limited to the New York regional office?  
 15 A There are task force members in  
 16 other cities other than in the New York  
 17 regional office.  
 18 Q Okay.  
 19 How did it come to be that you  
 20 joined the Microcap Task Force?  
 21 A Michael Paley was my supervisor  
 22 prior to the inception of the task force and  
 23 I just joined up.  
 24 Q Do you understand why the Microcap  
 25 Task Force was formed?

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1 YITZCHOK KLUG  
 2 A Best I can tell you is there may  
 3 have been some sort of release issued at the  
 4 time that the task force was formed. I'm  
 5 not sure that there was, but you could check  
 6 that.  
 7 Q Mr. Klug, other than the Microcap  
 8 Task Force, are you aware of any other  
 9 internal SEC task forces or working groups  
 10 that focus on microcap issues?  
 11 A I believe you mentioned one other.  
 12 Q The Microcap Fraud Working Group.  
 13 A I think that's right.  
 14 Q I want to make sure we have a clear  
 15 record.  
 16 Do you understand what the  
 17 differences are, if any, between the  
 18 Microcap Task Force and the Microcap Fraud  
 19 Working Group?  
 20 A I can't say that I do, no.  
 21 Q Is it your understanding that the  
 22 Microcap Fraud Working Group is still in  
 23 existence?  
 24 A It is. That's my understanding.  
 25 Q Is your understanding that the

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1 YITZCHOK KLUG  
2 But you can answer if you  
3 understand it.  
4 A There's nothing specific that I  
5 know. I would be speculating. I'm not  
6 telling you something that I know happened.  
7 I can only tell you what I think might  
8 happen.  
9 Q Okay. Based on your review of this  
10 document?  
11 A Well, just based on seeing their  
12 names there.  
13 Q Sure.  
14 A If there's analysis to be done on  
15 trading of a particular stock, they would be  
16 helpful in investigation.  
17 Q You mentioned also that there  
18 were -- you identified some -- I think you  
19 used the term "contractors."  
20 A Yes. In recent years at the SEC,  
21 I've seen staff that have the title of  
22 "contractor." I've seen some of their names  
23 on this sheet.  
24 Q Do you know what the title of  
25 contractor means?

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1 YITZCHOK KLUG  
2 A That is correct.  
3 Q So for purposes of this deposition  
4 and your testimony, you're not disputing the  
5 fact you are part of the Microcap Task  
6 Force, whether it's called Microcap Fraud  
7 Task Force or --  
8 A I'm not.  
9 MR. FISCHER: I'm going to mark  
10 two documents as exhibits. Although  
11 I may not ask questions about them  
12 right away, I just want to have them  
13 handy.  
14 This is going to be Klug Exhibit 2.  
15 (Klug Exhibit 2, Complaint,  
16 was marked for Identification.)  
17 (Klug Exhibit 3, Letter dated  
18 May 6, 2011, no Bates numbers, was  
19 marked for Identification.)  
20 BY MR. FISCHER:  
21 Q Mr. Klug, before I ask you  
22 questions about those -- put those off to  
23 the side for a second. I'm not going to ask  
24 you any specific questions about those right  
25 away, but I would like for you to have them

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1 YITZCHOK KLUG  
2 A I'm not sure what it means, no.  
3 Q Mr. Klug, I'm just going to direct  
4 you to the first page of Exhibit 1.  
5 A Okay.  
6 Q And I'll read it aloud, the body of  
7 the letter.  
8 "Pursuant to your request, enclosed  
9 please find a list of current and former  
10 members of the Microcap Fraud Task Force and  
11 Microcap Fraud Working Group."  
12 Does this document refresh your  
13 recollection that the task force you are a  
14 part of is actually called the Microcap  
15 Fraud Task Force?  
16 A Yes.  
17 Q And does this document --  
18 A Actually, if I may.  
19 Q Yeah.  
20 A Perhaps it has two names. I was  
21 always under the impression I was part of  
22 the Microcap Task Force. I'm not sure if  
23 the fraud task force is the same thing.  
24 Q But you are listed here as a person  
25 on one of these task forces, correct?

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1 YITZCHOK KLUG  
2 handy in case I refer to them.  
3 I've asked you some questions  
4 generally about microcap securities.  
5 Can you tell me what a microcap  
6 security is?  
7 A I can't give you an exact  
8 definition of what a microcap security is.  
9 In general, I think of it as a  
10 security selling at a very small price and a  
11 very low price.  
12 Q A small price and did you say a low  
13 price?  
14 A Instead of a small price, a low  
15 price.  
16 Q Any other factors that you think of  
17 when thinking about whether a security is a  
18 microcap security or not?  
19 A Not that come to mind, no.  
20 Q In considering whether a security  
21 is a microcap, do you consider the  
22 capitalization of the company at all?  
23 MR. McGRATH: I'm going to  
24 object to the question as privileged.  
25 You are asking for his thought

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1 YITZCHOK KLUG  
 2 that you've seen a microcap security listed  
 3 on the New York Stock Exchange?  
 4 A Has not.  
 5 Q You defined a microcap earlier as a  
 6 security that may be selling at a low price.  
 7 Okay?  
 8 A Okay.  
 9 Q Right. You said that?  
 10 A I did.  
 11 Q There are securities from time to  
 12 time on various national exchanges, whether  
 13 it's the New York Stock Exchange or another  
 14 stock exchange, that may be selling at a low  
 15 price?  
 16 A What would be a low price in your  
 17 mind?  
 18 Q You defined a microcap security as  
 19 a security selling at a low price.  
 20 So can you give me a sense of what  
 21 a low price would be to have a security  
 22 characterized as a microcap security?  
 23 A My view, my personal view is if I  
 24 see a stock selling for pennies, that would  
 25 be a microcap security.

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1 YITZCHOK KLUG  
 2 MR. McGRATH: In your mind.  
 3 A I'd have to think about that.  
 4 Not necessarily. I've seen  
 5 microcap stocks that are selling for more  
 6 than 1, 2, 3, 4 cents. I've seen microcap  
 7 stocks that are selling closer to a dollar.  
 8 Q Mr. Klug, I'm sorry, I just want to  
 9 make sure I understand.  
 10 So I think I understand what you  
 11 are saying. There may be microcap stocks  
 12 that are not penny stocks because they're  
 13 trading at a higher level than a penny stock  
 14 may ordinarily trade.  
 15 Is that generally correct?  
 16 MR. McGRATH: Again, just  
 17 object to the form.  
 18 Just so it's clear, he's asking you  
 19 your understanding of the term as you use  
 20 it.  
 21 Right? And to the extent you are  
 22 not, if you are asking his understanding  
 23 of what the SEC's internal views are,  
 24 I'll object to that.  
 25 But for purposes of use of terms in

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1 YITZCHOK KLUG  
 2 If I see a stock selling -- I  
 3 believe the New York Stock Exchange has  
 4 rules as to how low the price of the stock  
 5 can go before it can be listed. I can't  
 6 imagine anything ever selling for pennies on  
 7 the New York Stock Exchange. I don't recall  
 8 that I have.  
 9 Q That's helpful.  
 10 Have you used term -- with air  
 11 quotes around it -- "penny stock"?  
 12 A I have.  
 13 Q Do you draw any distinction -- what  
 14 is a penny stock? Is there a definition you  
 15 use when thinking about a penny stock?  
 16 A There is no definition, no. I  
 17 would think that penny stocks and microcap  
 18 stocks are the same thing.  
 19 Q Do you draw any distinction in your  
 20 mind between a penny stock and a microcap  
 21 stock?  
 22 A In my mind, penny stocks are  
 23 microcap stocks.  
 24 Q Okay. Are microcap stocks penny  
 25 stocks? They don't have to be?

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1 YITZCHOK KLUG  
 2 deposition, to the extent he's asking you  
 3 when you use that phrase what do you mean  
 4 by it, I'm not objecting.  
 5 MR. FISCHER: I think that's  
 6 right. Although I may -- I don't  
 7 know that -- it seems to me that even  
 8 from before, Mr. Klug doesn't -- that  
 9 there isn't sort of a broader  
 10 definition that he would use on  
 11 behalf of the agency. I thought I  
 12 asked him that.  
 13 MR. McGRATH: Well, I don't  
 14 remember you asking him anything  
 15 about what he uses on behalf of the  
 16 agency, but you asked him what his  
 17 understanding of the term was.  
 18 MR. FISCHER: I can clean that  
 19 up a little bit.  
 20 MR. McGRATH: Just so it's  
 21 clear, to the extent he's asking you  
 22 your personal understanding of a term  
 23 that you use regarding penny stock  
 24 and microcap, I'm not objecting.  
 25 If it gets into your understanding

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1 YITZCHOK KLUG  
 2 three or four things in there that I  
 3 would factually disagree with. But  
 4 the bottom line is --  
 5 MR. FISCHER: You have more  
 6 information than I do.  
 7 MR. McGRATH: -- whatever their  
 8 motivation was for asking or sending  
 9 e-mail, I'm going to assert a  
 10 privilege on because that's getting  
 11 into the mental thought processes of  
 12 the attorney who's working on an  
 13 enforcement --  
 14 MR. FISCHER: Well, I don't  
 15 think we're there yet, but at a  
 16 minimum I'm entitled -- I don't know  
 17 whether we should be having this  
 18 discussion in front of the witness.  
 19 But I would object. I believe I am  
 20 entitled to ask him questions about  
 21 the relevant exemptions and his  
 22 understandings of that. I've asked  
 23 him questions this morning about his  
 24 understanding of other things. The  
 25 case involves communications

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1 YITZCHOK KLUG  
 2 regarding the meaning of the relevant  
 3 registration expectations. He was  
 4 communicating with Jamison about the  
 5 relevant registration exemptions. I  
 6 have to ask him what his baseline  
 7 understanding is of them.  
 8 MR. McGRATH: And I disagree.  
 9 I think we have a fundamental  
 10 disagreement.  
 11 MR. FISCHER: So you are going  
 12 to assert privilege, so the record is  
 13 clear, over any questions regarding  
 14 Mr. Klug's understanding of rule --  
 15 understanding of securities  
 16 registration exemptions?  
 17 MR. McGRATH: Yes.  
 18 (Pause.)  
 19 MR. McGRATH: So I think I had  
 20 just said yes and then we got cut  
 21 off.  
 22 And I just want to add for the  
 23 reasons I mentioned previously, which is  
 24 that Mr. Klug has not been designated as  
 25 an expert by either side. He's not been

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1 YITZCHOK KLUG  
 2 designated as a 30(b)(6) witness.  
 3 He's already testified that he's a  
 4 staff attorney with the Enforcement  
 5 Division. He works on investigations in  
 6 Enforcement actions.  
 7 And to the extent you are going to  
 8 ask him questions about his mental  
 9 thought processes, about his  
 10 understanding of the law or his  
 11 motivation for why he did something or  
 12 didn't do something, I'm going to object  
 13 on privilege grounds for those reasons.  
 14 MR. FISCHER: I'm going to take  
 15 issue with the objection. I want the  
 16 record to reflect that we are here to  
 17 discuss Mr. Klug's communications  
 18 about Rule 504, and for him to  
 19 prohibit me to go into Mr. Klug's  
 20 understanding into Rule 504, his  
 21 knowledge of it prior to and after he  
 22 had communications with Delaware  
 23 securities regulators, I'm completely  
 24 hindered in my ability to fully  
 25 understand the meaning and nature of

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1 YITZCHOK KLUG  
 2 the communications.  
 3 I may try to ask some additional  
 4 questions, Kevin, about this issue and  
 5 you can object or not.  
 6 MR. McGRATH: Uh-huh.  
 7 BY MR. FISCHER:  
 8 Q You had testified, Mr. Klug, about  
 9 microcap -- you gave some testimony about  
 10 registered microcap securities.  
 11 Do you know what Rule 504 is?  
 12 MR. McGRATH: Just answer yes  
 13 or no.  
 14 A I was familiar with Rule 504  
 15 several years ago. I'm not familiar with it  
 16 now.  
 17 Q What period of time were you  
 18 familiar with Rule 504?  
 19 A The 2010 range.  
 20 Q And you're not familiar with it now  
 21 such that you can offer testimony on it?  
 22 A I've not looked at Rule 504 in at  
 23 least five years. I wouldn't want to offer  
 24 any testimony on it, no.  
 25 Q You wouldn't want to or you are

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1 YITZCHOK KLUG  
 2 don't understand what that means.  
 3 A You asked me for the name of the  
 4 case.  
 5 Q Right.  
 6 A That's what I told you I think the  
 7 name of the case was, one of those two. I  
 8 didn't check the name of the case before I  
 9 came here today. But I'm sure that's  
 10 information I can get from Kevin after  
 11 today.  
 12 Q If you look in the left-hand side  
 13 of this document, it says "In the Matter of  
 14 Virginia Sourlis."  
 15 Do you see that?  
 16 A Yes.  
 17 Q Is this the case that you were  
 18 referring to earlier?  
 19 A No.  
 20 Q It's not?  
 21 A No.  
 22 Q Did the case that you were  
 23 referring to earlier, was an action filed  
 24 against Virginia Sourlis?  
 25 A No.

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1 YITZCHOK KLUG  
 2 question read back, please.  
 3 (Requested portion of record read:  
 4 "Question: What kind of opinion  
 5 letters?")  
 6 (End of read-back.)  
 7 A The kind of opinion letter that I  
 8 sent to Mr. Jamison in that e-mail that  
 9 we've heard about.  
 10 MR. McGRATH: There's no  
 11 question pending. I just want to  
 12 have a minute off the record.  
 13 (Pause.)  
 14 BY MR. FISCHER:  
 15 Q Mr. Klug, I'm just going to try to  
 16 do some clarifying for the record.  
 17 So you said that you were involved  
 18 in an investigation relating to Ms. Sourlis  
 19 that related to the kinds of opinion letters  
 20 that were attached to your e-mail that we  
 21 will review later today to Mr. Jamison in  
 22 2010, correct?  
 23 A Correct.  
 24 Q Were you involved in any other SEC  
 25 investigations as to Ms. Sourlis?

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1 YITZCHOK KLUG  
 2 Q Can you tell me what that  
 3 investigation involved?  
 4 MR. McGRATH: Just generally.  
 5 A It involved opinion letters that  
 6 Ms. Sourlis had written.  
 7 Q What kind of opinion letters?  
 8 MR. McGRATH: Can I just -- I  
 9 just want to get some clarification  
 10 before I assert privilege or not. So  
 11 can I ask him a question?  
 12 MR. FISCHER: Ask him a  
 13 question?  
 14 MR. McGRATH: Yeah.  
 15 Well, if not, then I would say to  
 16 the extent that he's asking you about an  
 17 investigation that did not become an  
 18 enforcement action, I'll object on  
 19 privilege grounds, law enforcement  
 20 privilege.  
 21 But if that's not the case, then  
 22 you can answer the question.  
 23 THE WITNESS: Can you repeat  
 24 the question, please.  
 25 MR. FISCHER: Can I have the

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1 YITZCHOK KLUG  
 2 A I'm aware of the investigation or  
 3 of the cases that you showed me in Exhibit 6  
 4 and 7. I did not work on them.  
 5 Q Okay. And I think you already  
 6 testified to this -- and if you did, your  
 7 excellent attorney will appropriately object  
 8 as asked and answered -- but the  
 9 investigation that you were involved in with  
 10 respect to Ms. Sourlis did not result in an  
 11 enforcement action, correct?  
 12 A Correct.  
 13 Q Did it result in an administrative  
 14 proceeding against her?  
 15 A No.  
 16 Q It did not. Okay.  
 17 Mr. Klug, did you have any role in  
 18 the investigation of an individual named  
 19 Danny Garber?  
 20 A No.  
 21 Q Did you have any role in the  
 22 investigation of an individual named Michael  
 23 Manis, M-A-N-I-S?  
 24 A No.  
 25 Q Did you have any role in the

|   |  |
|---|--|
| <p style="text-align: right;">Page 74</p> <p>1 YITZCHOK KLUG</p> <p>2 investigation of an individual named Kenneth</p> <p>3 Yellin, Y-E-L-L-I-N?</p> <p>4 A No.</p> <p>5 Q Did you have any role in an</p> <p>6 investigation of an individual named Jordan</p> <p>7 Feinstein?</p> <p>8 A No.</p> <p>9 MR. FISCHER: I'm just going to</p> <p>10 mark this as Exhibit 8.</p> <p>11 (Klug Exhibit 8, Protective</p> <p>12 Order, was marked for</p> <p>13 Identification.)</p> <p>14 BY MR. FISCHER:</p> <p>15 Q I just want you to look at the</p> <p>16 caption of that case, Mr. Klug.</p> <p>17 Take a look at the entities and</p> <p>18 individuals that are named as defendants and</p> <p>19 if you can tell me whether you've had any</p> <p>20 involvement in any of the investigations of</p> <p>21 any of those defendants.</p> <p>22 A No.</p> <p>23 Q Mr. Klug, do you recall having</p> <p>24 worked on any investigations relating to</p> <p>25 allegations that a party did not properly</p>  | <p style="text-align: right;">Page 75</p> <p>1 YITZCHOK KLUG</p> <p>2 rely on Rule 504?</p> <p>3 A The investigation that I worked on?</p> <p>4 My Virginia Sourlis case? I believe those</p> <p>5 were some of the allegations we saw in that</p> <p>6 case.</p> <p>7 Q Okay.</p> <p>8 A Actually, let me restate that.</p> <p>9 What I was looking at in that</p> <p>10 case --</p> <p>11 MR. McGRATH: I'm going to</p> <p>12 object to what you were looking at.</p> <p>13 He's asking you what investigations</p> <p>14 you worked on. To the extent that</p> <p>15 they're public, you can testify or to the</p> <p>16 extent they're nonpublic you can identify</p> <p>17 generally what they are, but what you</p> <p>18 were looking at specifically is attorney</p> <p>19 work product and I will object.</p> <p>20 So if you can give a general answer</p> <p>21 to the question, I have no objection.</p> <p>22 MR. FISCHER: And maybe I'll</p> <p>23 rephrase the question a little bit.</p> <p>24 BY MR. FISCHER:</p> <p>25 Q Apart from the investigation of</p> |
| <p style="text-align: right;">Page 76</p> <p>1 YITZCHOK KLUG</p> <p>2 Virginia Sourlis, were you involved in any</p> <p>3 other investigations that examined a party's</p> <p>4 reliance on Rule 504?</p> <p>5 A No.</p> <p>6 Q Apart from Virginia Sourlis, were</p> <p>7 you involved in any investigations that</p> <p>8 examined a party's reliance on a state</p> <p>9 securities registration exemption?</p> <p>10 A No.</p> <p>11 Q And I would say for the record,</p> <p>12 Mr. Klug, just in rule of depositions, while</p> <p>13 a question is pending we ask that you not</p> <p>14 take a break, you not consult with your</p> <p>15 attorney. If at any point today you do want</p> <p>16 to take a break while a question is not</p> <p>17 pending for any question, just let me know</p> <p>18 or let your counsel know and we'll be more</p> <p>19 than likely accommodate that.</p> <p>20 But while a question is pending, we</p> <p>21 need the answer to the question. Okay?</p> <p>22 A Sure.</p> <p>23 MR. FISCHER: I think we're</p> <p>24 going to mark Exhibit 9.</p> <p>25 (Klug Exhibit 9, Exemptions,</p> | <p style="text-align: right;">Page 77</p> <p>1 YITZCHOK KLUG</p> <p>2 6 Delaware Code Section 73-207, was</p> <p>3 marked for Identification.)</p> <p>4 BY MR. FISCHER:</p> <p>5 Q Mr. Klug, directing you to</p> <p>6 Exhibit 9 which is entitled 6 Delaware Code</p> <p>7 Section 73-207.</p> <p>8 I'm just going to ask you whether</p> <p>9 you recognize that document.</p> <p>10 A I don't.</p> <p>11 (Klug Exhibit 10, E-mail dated</p> <p>12 Wednesday, November 10, 2010,</p> <p>13 6:08 p.m., Bates Numbers</p> <p>14 SEC-SEC-0007773 through</p> <p>15 SEC-SEC-0007777, was marked for</p> <p>16 Identification.)</p> <p>17 BY MR. FISCHER:</p> <p>18 Q Mr. Klug, whenever you're ready.</p> <p>19 Whenever you are ready.</p> <p>20 A Would you like me to read this</p> <p>21 first?</p> <p>22 Q Whenever you are comfortable</p> <p>23 starting.</p> <p>24 A Go ahead.</p> <p>25 Q Do you recognize this document?</p>   |

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1 YITZCHOK KLUG  
 2 A Yes.  
 3 Q What is this document?  
 4 A It is an e-mail from myself to  
 5 Peter Jamison.  
 6 Q Who is Peter Jamison?  
 7 A I believe he was one of the  
 8 securities regulators in Delaware or in the  
 9 Delaware department of securities, whatever  
 10 that would be called.  
 11 Q How did it come to be that you sent  
 12 an e-mail to Mr. Jamison?  
 13 MR. McGRATH: Objection.  
 14 Privileged. Calls for his attorney  
 15 work product and his process why he  
 16 did something.  
 17 MR. FISCHER: I'll withdraw the  
 18 question.  
 19 Q Who is Michael Paley? I think you  
 20 mentioned his name earlier today.  
 21 A He's my supervisor.  
 22 Q Was he your supervisor at the time  
 23 you sent this e-mail?  
 24 A Yes.  
 25 Q Did you discuss -- prior to sending

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1 YITZCHOK KLUG  
 2 this e-mail, did you discuss with Mr. Paley  
 3 the reasons for sending the e-mail?  
 4 MR. McGRATH: Objection.  
 5 MR. FISCHER: Yes or no.  
 6 MR. McGRATH: I'm going to  
 7 object even whether or not there was  
 8 a discussion about it.  
 9 MR. FISCHER: That's  
 10 privileged?  
 11 MR. McGRATH: Yes. The steps  
 12 that he took or didn't take before he  
 13 engaged in any Enforcement activity  
 14 is privileged. So whether he took a  
 15 step or didn't take a step is  
 16 privileged.  
 17 MR. FISCHER: We disagree with  
 18 that.  
 19 BY MR. FISCHER:  
 20 Q Why don't we walk through the  
 21 e-mail.  
 22 By the way, you said that  
 23 Mr. Jamison had a role at the Delaware  
 24 Securities Commission?  
 25 A If that's what it's called. I

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1 YITZCHOK KLUG  
 2 don't remember the exact name.  
 3 Q Do you remember what his role was?  
 4 A I don't.  
 5 Q Do you know what his  
 6 responsibilities were?  
 7 A No. But if I sent him a letter, my  
 8 assumption is that he was the right person  
 9 to speak with or one of the right people to  
 10 speak with.  
 11 Q Where did you get that assumption  
 12 from?  
 13 A I don't recall.  
 14 Q Mr. Paley?  
 15 MR. McGRATH: Objection.  
 16 Privileged. Communications with  
 17 another staff member in terms of  
 18 attorney work product.  
 19 Q Do you know whether anyone at the  
 20 SEC had ever sought advice from Mr. Jamison  
 21 prior to you reaching out to him, as a yes  
 22 or no?  
 23 MR. McGRATH: Objection.  
 24 Privileged. Work product.  
 25 BY MR. FISCHER:

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1 YITZCHOK KLUG  
 2 Q Prior to this communication on  
 3 November 10, 2010, had you ever communicated  
 4 with Mr. Jamison?  
 5 A The very first words in the first  
 6 paragraph are "as we discussed on the  
 7 phone," so I presume we did, although I  
 8 don't specifically remember.  
 9 Q Apart from that communication on  
 10 the phone, had you ever communicated with  
 11 Mr. Jamison?  
 12 A Not that I can recall.  
 13 Q Do you recall how you got his phone  
 14 number?  
 15 A No.  
 16 Q Do you recall whether you e-mailed  
 17 him -- had ever e-mailed him prior to this  
 18 call?  
 19 A I don't.  
 20 Q You don't recall or you don't know?  
 21 A I don't recall if I did or didn't.  
 22 Q So let's look at the body of the  
 23 e-mail that you wrote, Mr. Klug.  
 24 The first paragraph says, "Peter,  
 25 as we discussed on the phone, I am attaching

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1 YITZCHOK KLUG  
2 with anyone from the Delaware Securities  
3 Commission?  
4 A No.  
5 Q So we're still talking about those  
6 first five or six words "as we discussed on  
7 the phone" and the phone conversation that  
8 was prior to this e-mail.  
9 Had you ever spoken, prior to that  
10 phone conversation, to Mr. Jamison?  
11 A Not that I recall.  
12 Q Is it possible that you did?  
13 A Anything is possible. I don't  
14 know.  
15 Q Do you think you did?  
16 A I don't think I did.  
17 Q What did you discuss with  
18 Mr. Jamison on that phone call?  
19 A I don't recall.  
20 Q You've no recollection?  
21 A No.  
22 Q Do your notes summarize what was  
23 discussed on that call?  
24 A Presumably.  
25 Q And you've reviewed those notes a

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1 YITZCHOK KLUG  
2 couple months ago?  
3 A I think I said four or five months  
4 ago.  
5 Q And you have no -- that did not  
6 refresh your recollection as to what you  
7 discussed with him on the phone?  
8 A Correct.  
9 Q Do you recall whether you were  
10 reaching out to Mr. Jamison in connection  
11 with a specific investigation?  
12 A It would have been the  
13 investigation that I was working on, the  
14 Virginia Sourlis investigation.  
15 Q So you say "as we discussed on the  
16 phone" and then you go on to say you are  
17 attaching an opinion letter authored by  
18 Virginia Sourlis.  
19 And if you flip the page over, what  
20 you'll see is a letter from Virginia Sourlis  
21 to Manhattan Transfer Registrar Company  
22 regarding goIP Global.  
23 Do you see that?  
24 A I do.  
25 Q Mr. Klug, where did you -- at the

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1 YITZCHOK KLUG  
2 time that you had this e-mail communication  
3 with Mr. Jamison, where did you get this  
4 letter?  
5 MR. McGRATH: Objection.  
6 Privileged. Attorney work product.  
7 BY MR. FISCHER:  
8 Q Well, did you receive the letter  
9 pursuant to a Subpoena?  
10 A I don't recall.  
11 Q Getting back to your discussion  
12 with Mr. Jamison on the phone, did you have  
13 any communication with him about why you  
14 were reaching out to him?  
15 A I don't remember what our  
16 discussion was about. Presumably my notes  
17 would say that.  
18 Q Do you recall whether, in addition  
19 to this letter from Virginia Sourlis, you  
20 sent any additional information to  
21 Mr. Jamison in connection with your  
22 communications with him?  
23 A I don't recall.  
24 Q Do you recall sending him anything  
25 by mail?

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1 YITZCHOK KLUG  
2 A I don't recall.  
3 Q Were you asked as part of this  
4 case, SEC versus Edward Bronson, to review  
5 your e-mails in connection with your  
6 communications with Mr. Jamison?  
7 A There was a point where I was  
8 reviewing my e-mails. I imagine it was for  
9 this case, but I'm not sure.  
10 Q Is that within the last year?  
11 A I'm not sure.  
12 Q Do you recall when it was?  
13 A I don't specifically but, you know,  
14 I would say it's within the last two years.  
15 Q And who asked you to do that?  
16 A I don't remember.  
17 Q I'm just going to have you take a  
18 look at the first page of the attached  
19 letter from Virginia Sourlis. Actually,  
20 it's from her law firm, the Sourlis law  
21 firm, to the Manhattan Transfer Registrar  
22 Company.  
23 Just looking at it very generally,  
24 does this letter refresh your recollection  
25 as to what Rule 504 is?

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1 YITZCHOK KLUG  
2 were produced to us -- is the e-mail that we  
3 were just talking about, the November 10,  
4 2010 e-mail between you and Mr. Jamison  
5 which cc'ed Michael Paley. We just asked a  
6 lot of questions on it.

7 Do you see that? On the bottom of  
8 the first page and continues on to the  
9 second page.

10 A I do.

11 Q And then going up from there,  
12 there's additional correspondence.

13 Do you see that?

14 A Yes.

15 Q I'd like to now ask you questions  
16 about that additional correspondence. So  
17 I'm just trying to orient you to exactly  
18 what I want to talk about.

19 A Okay.

20 Q So orienting you to the middle of  
21 the page which is an e-mail from Peter  
22 Jamison to you dated Friday,  
23 November 19th, 2010 at 9:27 a.m.

24 And the e-mail reads as follows:  
25 "Yitz, I had reviewed Ms. Sourlis' letter of

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1 YITZCHOK KLUG  
2 August 23, 2010 to the Manhattan Transfer  
3 Registrar Company and it does appear that  
4 Ms. Sourlis' interpretation of  
5 6 Del.C.7309(b)(8) and Section 510 of the  
6 rules and regulations pursuant to the  
7 Delaware Securities Act is correct."

8 Do you see that?

9 A I do.

10 Q Before I get into those words, nine  
11 days elapse between your e-mail to Peter  
12 Jamison and Mr. Jamison's e-mail to you.

13 Do you see that?

14 A Yes.

15 Q Did you have any oral  
16 communications with Mr. Jamison during that  
17 period?

18 A Not that I recall.

19 Q Did you have any e-mails with  
20 Mr. Jamison during that period?

21 A No.

22 Q Do you recall whether you called  
23 him up and asked him to follow up on this  
24 issue because you hadn't heard from him in  
25 nine days prior to this?

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1 YITZCHOK KLUG

2 A I don't recall.

3 Q Were you under any time pressure to  
4 get an opinion from Mr. Jamison?

5 A I don't recall.

6 Q Focusing on the first sentence of  
7 Mr. Jamison's e-mail to you, "Yitz, I had  
8 reviewed Ms. Sourlis' letter of August 23,  
9 2010 to the Manhattan Transfer Registrar  
10 Company and it does appear that her  
11 interpretation of the rules" that I stated  
12 earlier -- that's me talking -- "is  
13 correct."

14 Do you see that?

15 A Yes.

16 Q Did you have any discussions with  
17 Mr. Jamison about what he meant by that?

18 A Not that I recall.

19 Q After this e-mail.

20 A I don't recall.

21 Q Did you pick up the phone after you  
22 received this e-mail and discuss this issue  
23 with Mr. Jamison?

24 A I don't recall.

25 Q If you had picked up the phone and

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1 YITZCHOK KLUG

2 discussed this issue with Mr. Jamison, would  
3 you have taken -- would it have been your  
4 practice to have taken notes during that  
5 phone conversation?

6 A If I had picked up the phone to  
7 him?

8 Q Yes.

9 A Yes.

10 Q Had you undertaken to examine  
11 whether those notes exist?

12 A I have not found any notes.

13 Q You looked for them?

14 A I did.

15 Q Looked for a note of a conversation  
16 with -- what exactly did you look for?

17 A I looked for notes of any  
18 conversations with Mr. Jamison.

19 Q Did you locate any notes?

20 A I think we talked about notes  
21 earlier that I have of a call with  
22 Mr. Jamison.

23 Q Apart from those notes, did you  
24 locate any additional notes?

25 A Of a call between myself and

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1 YITZCHOK KLUG  
 2 Mr. Jamison?  
 3 Q Any communications -- any notes  
 4 memorializing communications with  
 5 Mr. Jamison.  
 6 A Yes.  
 7 There was another call with  
 8 Mr. Jamison later on in time that I  
 9 participated in.  
 10 Q Was that in 2011?  
 11 A I don't remember.  
 12 Q When you say "later on in time" --  
 13 A It was probably in 2011 because  
 14 this is November 2010. But I'm not sure.  
 15 Q Apart from those notes and the ones  
 16 that we discussed earlier this morning, any  
 17 other notes memorializing communications or  
 18 contact that you had with Mr. Jamison?  
 19 A No.  
 20 Q When Mr. Jamison says that -- and  
 21 I'm paraphrasing -- it does appear that  
 22 Ms. Sourlis' interpretation of Delaware law  
 23 is correct, do you have any confusion as to  
 24 what he was talking about then?  
 25 MR. McGRATH: Objection.

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1 YITZCHOK KLUG  
 2 to Michael Paley?  
 3 A I don't think so.  
 4 MR. FISCHER: Kevin, I would  
 5 make a request that you take a look  
 6 to see whether this e-mail was  
 7 forwarded to Michael Paley or anyone  
 8 at the SEC.  
 9 (Request made.)  
 10 BY MR. FISCHER:  
 11 Q Mr. Jamison goes on to state in his  
 12 e-mail to you on 9:27 a.m.:  
 13 "That being said, if the SEC  
 14 believes that the use of the Delaware  
 15 exemption at Section 7309(b)(8) in this  
 16 particular case is contrary to the public  
 17 interest, please let me know. Delaware does  
 18 have a procedure that authorizes the  
 19 commissioner to withdraw an exemption on a  
 20 general or case-by-case basis."  
 21 Do you see that?  
 22 A I do.  
 23 Q Did you ever have a communication  
 24 with Mr. Jamison that the use of  
 25 Section 730(b)8 as described was contrary to

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1 YITZCHOK KLUG  
 2 Privileged. You are asking an  
 3 Enforcement attorney for his mental  
 4 thought processes during the course  
 5 of an investigation, so I'm going to  
 6 object on the grounds as privileged  
 7 work product.  
 8 BY MR. FISCHER:  
 9 Q Did you articulate any confusion to  
 10 Mr. Jamison as to what he meant by that?  
 11 A Not that I recall.  
 12 Q I'm not asking you for the  
 13 substance of the conversations, but  
 14 Mr. Jamison's opinion that Ms. Sourlis'  
 15 interpretation of Delaware law was correct,  
 16 did you communicate that to anyone at the  
 17 SEC? Yes or no?  
 18 A I probably told Michael Paley or  
 19 let him know in some way.  
 20 Q Did you forward this e-mail that  
 21 you received from Peter Jamison to Michael  
 22 Paley?  
 23 A I don't recall.  
 24 Q Have you looked in your e-mails to  
 25 determine whether you forwarded this e-mail

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1 YITZCHOK KLUG  
 2 the public interest?  
 3 A Not that I recall.  
 4 Q Did you ever ask Mr. Jamison to  
 5 invoke the procedure that authorizes the  
 6 commissioner to withdraw an exemption on a  
 7 general or a case-by-case basis?  
 8 A Not that I recall.  
 9 Q Do you have any understanding of  
 10 whether Delaware -- the Delaware Securities  
 11 Commission has an -- withdraw the question.  
 12 Do you have any understanding of  
 13 whether the Delaware Securities Commissioner  
 14 has a mechanism to enforce what he or she  
 15 may think is noncompliance with  
 16 Section 730(b)8 of the Delaware securities  
 17 code?  
 18 A I don't.  
 19 Q Did you ever have any discussions  
 20 with Mr. Jamison about that?  
 21 A Not that I recall.  
 22 Q Are you aware of whether Delaware  
 23 has ever withdrawn its exemption on a  
 24 general basis?  
 25 A I'm not.

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1 YITZCHOK KLUG

2 Q At or around this time, August 2011  
3 when Ms. Yeu e-mails Mr. Jamison, did you  
4 have any telephone discussions with  
5 Mr. Jamison?

6 A From the August 8th e-mail, I  
7 seemed to have been included on a phone  
8 call.

9 Q And we'll get to that.

10 A So you are speaking about something  
11 else?

12 Q Do you recall any conversations you  
13 had with Mr. Jamison in or around the  
14 August 2011 time period?

15 A Outside of what I just mentioned,  
16 no.

17 Q Apart from that August 8th call  
18 that we'll talk about, you don't remember  
19 anything else?

20 A No.

21 Q If you look up from where we're  
22 looking right now, on the same page  
23 Mr. Jamison responds a few days later on  
24 August 5, 2011 at 11:08 a.m. and says,  
25 "Ms. Yeu, I will be available most of next

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1 YITZCHOK KLUG

2 week (except Thursdays) to talk with you.  
3 Please let me know what would be convenient  
4 for you."

5 Do you see that?

6 A I do.

7 Q Have you ever seen that portion of  
8 this e-mail before?

9 A No.

10 Q Flip to the prior page, Bates  
11 Number 7796. She responds, "Thank you. I'm  
12 available Monday morning. How is 10 a.m.?"

13 Have you ever seen this e-mail  
14 before?

15 A No.

16 Q Mr. Jamison responds on Friday,  
17 August 5th at 11:29 a.m., "That will be  
18 fine. Please call me then."

19 Have you ever seen that portion of  
20 the e-mail?

21 A No.

22 Q And then looking up, there's an  
23 e-mail from Laura Yeu to Peter Jamison on  
24 Monday, August 8, 2011 at 9:57 a.m.

25 And it reads as follows: "Good

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1 YITZCHOK KLUG

2 morning, Peter. I will be joined on the  
3 call this morning with my colleagues,  
4 Michael Paley, assistant regional director,  
5 Yitzchok Klug, attorney, and possibly a few  
6 others including Joe Dever, senior counsel."  
7 Dever is D-E-V-E-R.

8 "My colleagues and I have different  
9 cases that all involve similar issues under  
10 Delaware law. I will be rounding up the  
11 group in a few minutes and will call you at  
12 the number below. I look forward to  
13 speaking with you. Best, Laura."

14 Do you see that?

15 A I do.

16 Q Do you have any recollection of  
17 ever seeing that e-mail?

18 A No.

19 Q The e-mail, Mr. Klug, references  
20 the fact that you, among others, will be  
21 joining Laura Yeu and Peter Jamison on a  
22 call on August 8, 2011.

23 Do you see that?

24 A Yes.

25 Q Did that happen? Did you

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1 YITZCHOK KLUG

2 participate in a call on August 8, 2011?

3 A I did.

4 Q What do you remember about that?

5 A I don't remember anything about the  
6 call. However, I did find that I took some  
7 notes on that call. So that's how I know  
8 outside of this e-mail that I was present.

9 Q Do the notes -- did you review the  
10 notes?

11 A Not for the last several months,  
12 no. It was about four or five months ago.

13 Q At the same time you were reading  
14 notes, you were discussing -- (sic/ph)

15 A Yes.

16 Q And did the notes refresh your  
17 recollection as to anything that was  
18 discussed during the call?

19 A No.

20 Q The e-mail says that Ms. Yeu would  
21 be joined on the call this morning with  
22 Michael Paley, you and possibly a few others  
23 including Joe Dever.

24 Do you recall who was ultimately on  
25 the call?

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1 YITZCHOK KLUG

2 Q Do you recall whether -- so we've  
3 seen this e-mail communication chain back  
4 and forth, right. And it's not reflected in  
5 this e-mail, but in your first e-mail  
6 exchange with him, there was a Virginia  
7 Sourlis letter.

8 A Yes.

9 Q That we talked about this morning  
10 at length.

11 Do you recall whether that letter  
12 was discussed during this call with  
13 Mr. Jamison?

14 A I don't.

15 Q Do you recall during the call with  
16 Mr. Jamison whether the issue of whether  
17 Delaware law permits general solicitation  
18 and advertising was raised? Do you recall?

19 A I don't.

20 Q Do you recall whether the issue  
21 of -- withdrawn.

22 Do you recall whether there were  
23 any -- do you recall whether during the call  
24 with Mr. Jamison any questions were --  
25 withdraw that as well.

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1 YITZCHOK KLUG

2 Do you recall whether during the  
3 call with Mr. Jamison there was a discussion  
4 about transactions having a certain nexus to  
5 Delaware?

6 A I don't.

7 Q I'm going to ask you to flip to the  
8 first page of the document.

9 It's a communication from  
10 Mr. Jamison to Laura Yeu also dated Monday,  
11 August 8, 2011 at 1:37 p.m.

12 It says, "Laura, the citation for  
13 the Delaware Supreme Court case that I  
14 mentioned to you is Singer versus Magnavox  
15 Co., 380A.2d 969."

16 Take a moment to take a look at  
17 this e-mail.

18 Have you ever seen this e-mail  
19 before?

20 A I don't believe so.

21 Q Have you ever seen it in preparing  
22 for your testimony today?

23 A No.

24 Q Does that e-mail refresh your  
25 recollection as to anything that was

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1 YITZCHOK KLUG

2 discussed during the call?

3 A No.

4 Q Do you recall any discussion on the  
5 call of the Singer versus Magnavox case  
6 cited in Mr. Jamison's e-mail?

7 A I don't.

8 Q Do you have any recollection of  
9 whether -- I know you just testified that  
10 you don't recall the Singer versus Magnavox  
11 case being raised during the call.

12 To the extent it was raised, do you  
13 think it would have been raised by the SEC  
14 or the Delaware Securities Commissioner?

15 MR. McGRATH: I'm going to  
16 object to this. It's a hypothetical  
17 question. He's here as a fact  
18 witness.

19 MR. FISCHER: No, I understand.  
20 I'll withdraw the question.

21 MR. McGRATH: Thank you.

22 BY MR. FISCHER:

23 Q Earlier this morning we took a look  
24 at some e-mails between you and Peter  
25 Jamison in which he said -- and I'm

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1 YITZCHOK KLUG

2 paraphrasing -- that Ms. Sourlis' view of  
3 certain provisions of Delaware law was  
4 correct.

5 Do you remember those generally?

6 A I do.

7 Q Do you recall whether Mr. Jamison  
8 said anything during the August 8, 2011 call  
9 to suggest that Ms. Sourlis' opinion was not  
10 correct?

11 A I don't.

12 Q Do you recall any discussions with  
13 Mr. Jamison about whether Rule 504 was an  
14 issuer exemption?

15 A I don't.

16 Q Was there any discussion with  
17 Mr. Jamison about who it was that the SEC  
18 was considering pursuing in connection with  
19 its investigations?

20 A I don't remember.

21 Q In other words, we saw some e-mails  
22 this morning about Virginia Sourlis.

23 Do you recall, when you had those  
24 discussions with Mr. Jamison, it was made  
25 clear to Mr. Jamison that you were

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1 YITZCHOK KLUG

2 investigating Ms. Sourlis?

3 A I'm not sure I understand the  
4 question.

5 Q So the e-mails this morning that  
6 you sent -- that we discussed -- the e-mails  
7 we discussed this morning that involved you  
8 and Mr. Jamison in which you forwarded an  
9 opinion letter to Mr. Jamison, I think you  
10 testified earlier that that was done in  
11 connection with an investigation you were  
12 working on with respect to Virginia Sourlis.

13 A Correct.

14 Q Did you make clear to Mr. Jamison  
15 that you were working on an investigation  
16 with respect to Virginia Sourlis?

17 A I don't remember.

18 Q I hesitate to use the word  
19 "subject" because I don't think the SEC  
20 likes to use the word "subject," but I'll  
21 use it colloquially.

22 Do you know whether you  
23 communicated to him an understanding that  
24 Ms. Sourlis was the subject of an SEC  
25 investigation?

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1 YITZCHOK KLUG

2 A I don't remember.

3 Q Sitting here today having reviewed  
4 some of the e-mails and thinking about this  
5 issue, do you know whether any of the  
6 attorneys that were involved in the  
7 investigation of Edward Bronson and  
8 E-Lionheart, whether any of those attorneys  
9 were ever on a phone call with Mr. Jamison?

10 A I don't.

11 Q You don't know?

12 A I don't know.

13 Q Do you know who those individuals  
14 were who investigated E-Lionheart and Edward  
15 Bronson?

16 A No.

17 Q Did you ever ask Ms. Sourlis --  
18 withdrawn.

19 Did Ms. Sourlis ever prepare a  
20 Wells submission relating to the  
21 investigation that you were working on with  
22 respect to her?

23 A No.

24 Q Was she ever asked to prepare one?

25 A No.

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1 YITZCHOK KLUG

2 Q A few open-ended questions and then  
3 we'll come back to the document.

4 In connection with your work  
5 generally and Rule 504, do you have any  
6 understanding of whether the SEC brought  
7 actions, administrative or otherwise,  
8 against any attorney for providing attorney  
9 opinion letters in connection with a  
10 Rule 504 transaction?

11 A Nothing clear, no.

12 Q Nothing clear?

13 A I can't think of one, although I  
14 may have heard in the office or read a  
15 release that comes across a computer that  
16 there was some action.

17 Q Against an attorney?

18 A Possibly.

19 Q Not something you worked on?

20 A Not something I worked on, no.

21 Q Are you aware of any actions,  
22 administrative or otherwise, that were  
23 brought against any issuers of securities  
24 who issued their securities pursuant to a  
25 Rule 504 exemption?

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1 YITZCHOK KLUG

2 A I'm not.

3 Q Are you aware of any actions,  
4 administrative or otherwise, that were  
5 brought against any transfer agents --

6 A I'm not.

7 Q And the last question along this  
8 topic.

9 Are you aware of any actions,  
10 administrative or otherwise, that the SEC  
11 brought in connection or against any brokers  
12 who were handling these types of securities  
13 that were issued pursuant to an exemption  
14 under Rule 504?

15 A I'm not.

16 Q In connection with your  
17 investigation of Ms. Sourlis, we saw this  
18 morning an opinion letter relating to an  
19 opinion she gave as to an entity that was  
20 purchasing securities.

21 I'm going to withdraw the question.  
22 It's a terrible question.

23 The opinion letter we looked at  
24 this morning involved a transaction -- are  
25 you aware whether the opinion letter we

|  |   |
|--|---|
| <p style="text-align: right;">Page 190</p> <p>1 YITZCHOK KLUG</p> <p>2 looked at this morning involved a</p> <p>3 transaction relating to one of Mr. Bronson's</p> <p>4 companies?</p> <p>5 A I am not.</p> <p>6 Q Turning back to the e-mail,</p> <p>7 Exhibit 12. At the top of the page, Laura</p> <p>8 Yeu writes on Monday, August 8, 1:39 p.m.,</p> <p>9 "Thank you, Peter, for your time and</p> <p>10 assistance. You've been quite helpful and</p> <p>11 we do appreciate it. Best regards, Laura."</p> <p>12 Mr. Klug, after this e-mail, do you</p> <p>13 recall having any additional conversations</p> <p>14 over e-mail or telephone or any other way</p> <p>15 with Mr. Jamison?</p> <p>16 A Not that I recall.</p> <p>17 Q Do you recall having any additional</p> <p>18 communications -- withdrawn.</p> <p>19 Do you recall having any</p> <p>20 communications with anyone else affiliated</p> <p>21 with the Delaware Securities Commission?</p> <p>22 A No.</p> <p>23 Q Or anyone else from Delaware, even</p> <p>24 if they weren't affiliated with the Delaware</p> <p>25 Securities Commission, who was contacted to</p> | <p style="text-align: right;">Page 191</p> <p>1 YITZCHOK KLUG</p> <p>2 provide guidance on the meaning of Delaware</p> <p>3 securities registration exemptions?</p> <p>4 A Not that I recall.</p> <p>5 MR. FISCHER: Can we go off the</p> <p>6 record a second.</p> <p>7 (Pause.)</p> <p>8 (Klug Exhibit 13, Plaintiff</p> <p>9 Securities &amp; Exchange Commission's</p> <p>10 Responses and Objections to First</p> <p>11 Set of Interrogatories of the</p> <p>12 Defendants Edward Bronson and</p> <p>13 E-Lionheart Associates, was marked</p> <p>14 for Identification.)</p> <p>15 BY MR. FISCHER:</p> <p>16 Q I'm showing you Exhibit 13 which is</p> <p>17 a document entitled Plaintiff Securities and</p> <p>18 Exchange Commission's Responses and</p> <p>19 Objections to the First Set of</p> <p>20 Interrogatories of the Defendants Edward</p> <p>21 Bronson and E-Lionheart Associates and</p> <p>22 Relief Defendant Fairhills Capital.</p> <p>23 And it's dated January 26, 2015.</p> <p>24 Do you see that, Mr. Klug?</p> <p>25 A Yes.</p> |
| <p style="text-align: right;">Page 192</p> <p>1 YITZCHOK KLUG</p> <p>2 Q Directing your attention to Page 3.</p> <p>3 A Okay.</p> <p>4 Q There is an Interrogatory Number 1</p> <p>5 which states, "Identify all persons with</p> <p>6 knowledge or information concerning the</p> <p>7 subject matter of this action."</p> <p>8 And then it says, "For each person</p> <p>9 identified, state the specific subject</p> <p>10 matter the person has knowledge or</p> <p>11 information of."</p> <p>12 And then if you look down not at</p> <p>13 the next paragraph but the paragraph after</p> <p>14 that, the second sentence says, "The</p> <p>15 Commission also identifies Owen Lefkon,</p> <p>16 Securities Commissioner, Delaware Department</p> <p>17 of Justice; Gregory Strong, former</p> <p>18 Securities Commissioner, Delaware Department</p> <p>19 of Justice."</p> <p>20 Do you see that?</p> <p>21 A Yes.</p> <p>22 Q Goes on to also identify Peter</p> <p>23 Jamison, III.</p> <p>24 Mr. Klug, did you have any</p> <p>25 communications with Owen Lefkon?</p>  | <p style="text-align: right;">Page 193</p> <p>1 YITZCHOK KLUG</p> <p>2 A Not that I recall.</p> <p>3 Q Have you ever heard the name Owen</p> <p>4 Lefkon?</p> <p>5 A Not that I recall.</p> <p>6 Q Were you aware whether anyone at</p> <p>7 the Securities and Exchange Commission had</p> <p>8 communications with Owen Lefkon?</p> <p>9 A I'm not.</p> <p>10 Q Are you familiar -- have you ever</p> <p>11 had any communications with Gregory Strong?</p> <p>12 A Not that I recall.</p> <p>13 Q Have you ever heard the name</p> <p>14 Gregory Strong?</p> <p>15 A Not that I recall.</p> <p>16 Q Are you aware of whether anyone</p> <p>17 from the SEC has had communications with</p> <p>18 Gregory Strong?</p> <p>19 A I'm not.</p> <p>20 Q I think you can put that off to the</p> <p>21 side.</p> <p>22 Are you aware with respect to</p> <p>23 Rule 504 whether the SEC engages in any</p> <p>24 dialogue with the investigating public about</p> <p>25 Rule 504?</p>   |

# **Yitzchok Klug**

## **Deposition**

### **Exhibit 10**

**Jamison, Peter (DOJ)**

---

**From:** Klug, Yitzchok [KLUGY@SEC.GOV]  
**Sent:** Wednesday, November 10, 2010 6:08 PM  
**To:** Jamison, Peter (DOJ)  
**Cc:** Paley, Michael D.  
**Subject:** Delaware Exemption From Securities Registration  
**Attachments:** Delaware Opinion Letter.PDF

Peter,

As we discussed on the phone, I am attaching an opinion letter authored by Virginia Sourlis which cites various sections of the Delaware Securities Act in support of her contention that the purchaser, E-Lionheart Associates, LLC may purchase unrestricted shares of stock from issuer GolP Global, Inc. without the shares being registered.

Rule 504 of Regulation D provides an exemption from the registration requirements of the federal securities laws for some companies if they follow certain rules. The exemption provides that general solicitation is permitted by the issuer and the purchaser may acquire freely transferable securities when the securities are issued under a state law exemption that permits general solicitation and general advertising as long as the sales are made to "accredited investors" as defined in Regulation D.

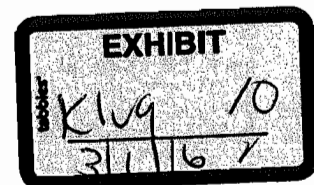
I suspect that this is only the first of many letters SEC staff will see citing Delaware state law. My colleagues and I would be grateful if you would render an opinion as to the justification of Ms. Sourlis in citing the Delaware Securities Act in her opinion letter.

Please contact me with any questions you might have.

Thank you,  
Yitz Klug

---

Yitzchok Klug  
Staff Attorney  
U.S. Securities and Exchange Commission  
New York Regional Office  
3 World Financial Center  
Suite 400  
New York, New York 10281  
(212) 336-0112





Virginia K. Sourlis, Esq., MBA\*  
Philip Magri, Esq.\*  
Joseph M. Patricola, Esq.\*\*

\* Licensed in NJ  
+ Licensed in NY  
# Licensed in DC

214 Broad Street  
Red Bank, New Jersey 07701  
(732) 530-9007 Fax (732) 530-9008  
[www.SourlisLaw.com](http://www.SourlisLaw.com)  
[Virginia@SourlisLaw.com](mailto:Virginia@SourlisLaw.com)

August 23, 2010

Manhattan Transfer Registrar Co.  
57 Eastwood Road  
Miller Place, NY 11764

Re: **GoIP Global, Inc. (the "Company" or "Issuer")**  
**Delaware Legal Opinion for the Issuance of 504 Shares of Common Stock**  
**11,000,000 shares of free-trading shares**

Dear Sir or Madam:

We have been requested to provide you with a legal opinion as Corporate and Securities Counsel for the Company with respect to the issuance of 11,000,000 free-trading shares of the Company's common stock (the "Shares") to E-Lionheart Associates, LLC (the "Purchaser"). The Purchaser is formed and authorized to transact business within the State of Delaware in an offering exempt from registration under the Securities Act of 1933 (the "Securities Act") pursuant to Rule 504 of Regulation D promulgated thereunder, Sections 7309(b)(8) of the Delaware Securities Act, and Section 510(a)(1) of Part E under the Rules and Regulations Pursuant to the Delaware Securities Act.

In connection with this opinion, we have reviewed applicable federal and state laws, rules and regulations and have made such investigations and examined such documents and material related to the Company and the Purchaser as we have deemed necessary and appropriate under the circumstances, including, but not limited to, the following:

1. SEC Regulation D, especially Rules 501, 502, 503 and 504 thereunder.
2. Section 7309(b)(8) of the Delaware Securities Act, and Section 510(a)(1) of Part E under the Rules and Regulations Pursuant to the Delaware Securities Act.
3. Articles of Incorporation of the Company as filed with the State of Delaware and Bylaws adopted by the Company.
4. Various corporate books and records, including minutes of directors meetings and resolutions of the Company's Board of Directors related to the authorization and issuances of the Shares;
5. A certificate of the Company's president stating that the Company:

Prod01-DEDOJ-0000002

- a. is not a reporting company under the 1934 Securities Exchange Act;
  - b. is an operating company with a specific business plan; and
  - c. has not sold securities pursuant to exemption under Rule 504 within the past twelve (12) calendar months in an aggregate dollar amount that would preclude the contemplated sales of Shares under that rule.
6. Subscription Agreement executed by the Purchaser, including various representations of the parties therein.

#### The Law

##### *Rule 504 Exemption.*

Section 5 of the Securities Act requires with certain exceptions, that all securities involved in an original distribution by the issuer must be registered. Regulation D promulgated under Section 3(b) of the Securities Act provides several means by which an issuer which is not subject to the reporting requirements of Section 13 and 15(d) of the Securities Exchange Act and is neither an investment company nor a blank check company may make an offer and sale of securities without registration upon satisfaction of certain requirements.

Rule 504 is available to any company that, at the time of the offering:

1. is not a "reporting company";
  2. is not a development stage company that either had no specific business plan or purpose or had indicated that its business plan was to engage in a merger or acquisition with an unidentified company or entity;
  3. if the issuer has utilized Rule 504 within the last twelve calendar months, the dollar amount of the offering may not have exceeded \$1,000,000;
  4. each investor is a bona fide resident of the state(s) where the offering is made;
- and
5. the investor was not, prior to, nor would be subsequent to, the offering an "affiliate" of the issuer.

On April 7, 1999, revisions to Rule 504 went into effect that prohibit general solicitation and general advertising of the offering by the issuer and which provide that securities issued under the Rule will be restricted, unless certain specified conditions are met. These conditions are:

1. the shares issued pursuant to the offering are issued under a state law exemption requiring public filing and delivery of a disclosure statement (often termed Offering Materials) prior to offer and sale; or
2. the shares issued pursuant to the offering are issued under a state law exemption that permits general solicitation and general advertising, available in only a minority of the states (including Delaware), when the offer is limited to only accredited investors as defined in Rule 501(a) of Regulation D.

If either state standard is met, consistent with Rule 504, the shares issued pursuant to the offering are not restricted and are freely tradable on any secondary market.

Consequently, the shares issued pursuant to such an offering may be issued by the Company without affixing to the associated stock certificate a restrictive legend as to resale, may be delivered to the Purchaser upon full payment of the associated purchase price and may be freely traded unless the Purchaser were to become an affiliate of the Company (perhaps through later purchases or their principals were to become an officer or director of the Company).

Rule 504 of Regulation D requires a filing within 15 days of the date of commencement of a given offering period. While there is no penalty for a late filing, the Company will need to file a Form D with regard to this new offering period.

#### *Delaware Exemption.*

Section 7309(b)(8) of the Delaware Securities Act provides for an exemption from the registration and notice filing requirements set forth in Sections 7304, 7309A, and 7312 of the Delaware Securities Act where the transaction involves any offer or sale to an institutional buyer.

Section 510(a)(1) of Part E under the Rules and Regulations Pursuant to the Delaware Securities Act defines "Institutional Buyer" to include an "accredited investor" as defined in SEC Rule 501(a)(1)-(4), (7) and (8), excluding, however, any self-directed employee benefit plan with investment decisions made solely by persons that are "accredited investors" as defined by Rule 501(a)(5)-(6). Pursuant to SEC Rule 501(a)(8), an entity in which all of the equity owners are "accredited" (as defined in Rule 501(a)(5)-(6)) comes within the definition of "accredited investor".

The Delaware applicable exemption does not prohibit general advertising or general solicitation and therefore, the exemption allows general advertising and general solicitation.

Therefore, the Delaware Securities Act provides for an exemption from the registration and notice filing requirements as set forth in Section 7304, 7309A, and 7312 of the Delaware Securities Act where the investor is a validly formed business entity in which all of its equity owners are accredited in accordance with Rule 501(a)(5)-(6)). Not exempted under this provision are sales to individuals who are accredited investors under SEC Rule 501(a)(5) and (6).

No filings are required and there is no restriction prohibiting general advertising or general solicitation or requiring investment intent.

#### Legal Opinion

Based on the foregoing, and subject to the qualifications set forth herein, it is our opinion that:

The Company is not a reporting company under the 1934 Securities Exchange Act, and intends to make an offering for purchased securities for its own account, which, if aggregated with all securities sold during the preceding 12 months, will not exceed \$1,000,000.

The Purchaser is (i) an accredited investor as defined in Rule 501(a) of Regulation D of the Act and Section 510(a)(1) of Part E under the Rules and Regulations Pursuant to the

Delaware Securities Act (ii) an "institutional buyer" as set forth in Section 7309(b)(8) of the Delaware Securities Act and Section 510(a)(1) of Part E under the Rules and Regulations Pursuant to the Delaware Securities Act, (iii) is purchasing the Shares for its own account and was not formed for the specific purpose of acquiring the Shares, and therefore has complied with applicable federal and state law and qualifies for the exemption from registration set forth in the Securities Act pursuant to Rule 504 of Regulation D, Section 7309(b)(8) of the Delaware Securities Act and Section 510(a)(1) of Part E under the Rules and Regulations Pursuant to the Delaware Securities Act

Further, the Purchaser is not (i) the Issuer, (ii) an underwriter of the Issuer with respect to the Shares (within the meaning of Section 2(11) of the Securities Act) (iii) an affiliate of the Issuer (within the meaning of Rule 144(a)(1) under the Securities Act, (iv) acting in concert within the meaning of Rule 144(e)(3)(vi) nor will they be acting in concert between the Purchasers and any affiliates of the Company or any other persons involving public sales of the Company's unregistered common shares under Rule 144, (v) in common ownership with any of the Purchasers of the respective companies in this offering, nor has any affiliation with any officers or affiliates of the Company, accordingly, the Shares may be issued and delivered to the Purchaser upon full payment of the associated purchase price without a restrictive legend under the Securities Act of 1933, as amended.

As to matters of fact, we have relied on information obtained from public officials, officers of the Company, and other sources, and we represent that all such sources were believed to be reliable. We have relied upon the Company's assurances that it shall make reasonable inquiry to determine that the prospective Purchaser has a legitimate investment intent in purchasing the Shares, and the Purchaser's representations as to its net worth and investment intent. The undersigned is licensed only in the State of New Jersey and this opinion covers, in part, Delaware statutory law, where the undersigned is not licensed.

We have made no independent attempt to verify facts provided us and set forth herein and that all signatures, documents or copies submitted to us are genuine and authentic. This opinion is limited to and conditioned upon, the facts as stated herein as of the date hereof. I disclaim any undertaking to advise you if changes in law or fact which may affect the continued correctness of any of my opinions occur as of a later date.

This opinion is solely for the use of the Company and its transfer agent, and may not be published or provided to any other person or entity without written permission from the undersigned.

Very truly yours,

The Sourlis Law Firm

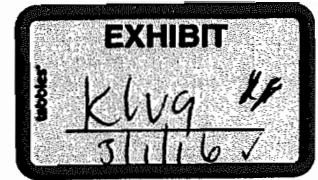


Virginia K. Sourlis, Esq.

# **Yitzchok Klug**

## **Deposition**

### **Exhibit 11**



**Jamison, Peter (DOJ)**

**From:** Klug, Yitzchok [KLUGY@SEC.GOV]  
**Sent:** Friday, November 19, 2010 1:31 PM  
**To:** Jamison, Peter (DOJ)  
**Subject:** RE: Delaware Exemption From Securities Registration

Peter,  
 Thank you for your review and opinion. I will discuss this internally with my colleagues and contact you sometime next week.

Thank you,  
 Yitz Klug

---

**From:** Jamison Peter (DOJ) [mailto:Peter.Jamison@state.de.us]  
**Sent:** Friday, November 19, 2010 9:27 AM  
**To:** Klug, Yitzchok  
**Subject:** RE: Delaware Exemption From Securities Registration

Yitz, I have reviewed Ms. Sourlis' letter of August 23, 2010 to the Manhattan Transfer Registrar Company, and it does appear that Ms. Sourlis' interpretation of 6 Del. C. sec. 7309(b)(8) and section 510 of the Rules and Regulations Pursuant to the Delaware Securities Act is correct. That being said, if the SEC believes that the use of the Delaware exemption at section 7309(b)(8) in this particular case is contrary to the public interest, please let me know. Delaware does have a procedure that authorizes the Commissioner to withdraw an exemption on a general or case-by-case basis.

Thanks,

Peter O. Jamison, III  
 Securities Commissioner  
 Delaware Department of Justice  
 820 N. French Street, 5th Floor  
 Wilmington, DE 19801  
 (302) 577-8940  
 (302) 577-6987 (fax)

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---

**From:** Klug, Yitzchok [mailto:KLUGY@SEC.GOV]  
**Sent:** Wednesday, November 10, 2010 6:08 PM  
**To:** Jamison Peter (DOJ)  
**Cc:** Paley, Michael D.  
**Subject:** Delaware Exemption From Securities Registration

Peter,  
 As we discussed on the phone, I am attaching an opinion letter authored by Virginia Sourlis which cites various sections of the Delaware Securities Act in support of her contention that the purchaser, E-Lionheart Associates, LLC may purchase unrestricted shares of stock from issuer GoIP Global, Inc. without the shares being registered.

Rule 504 of Regulation D provides an exemption from the registration requirements of the federal securities laws for some companies if they follow certain rules. The exemption provides that general solicitation is permitted by the issuer and the purchaser may acquire freely transferable securities when the securities are issued under a state law exemption that permits general solicitation and general advertising as long as the sales are made to "accredited investors" as defined in Regulation D.

I suspect that this is only the first of many letters SEC staff will see citing Delaware state law. My colleagues and I would be grateful if you would render an opinion as to the justification of Ms. Sourlis in citing the Delaware Securities Act in her opinion letter.

Please contact me with any questions you might have.

Thank you,  
Yitz Klug

---

Yitzchok Klug  
Staff Attorney  
U.S. Securities and Exchange Commission  
New York Regional Office  
3 World Financial Center  
Suite 400  
New York, New York 10281  
(212) 336-0112

# **Yitzchok Klug**

## **Deposition**

### **Exhibit 12**

**Jamison, Peter (DOJ)**

---

**From:** Yeu, Laura V [YeuL@SEC.GOV]  
**Sent:** Monday, August 08, 2011 1:39 PM  
**To:** Jamison, Peter (DOJ)  
**Subject:** RE: Delaware Exemption From Securities Registration

Thank you Peter for your time and assistance. You have been quite helpful and we do appreciate it.

Best regards,  
Laura

**Laura Yeu  
Senior Counsel**

U.S. Securities and Exchange Commission  
Division of Enforcement  
New York Regional Office  
3 World Financial Center, Suite 400  
New York, NY 10281-1022  
Direct: (212) 336-0187  
e-mail: YeuL@sec.gov

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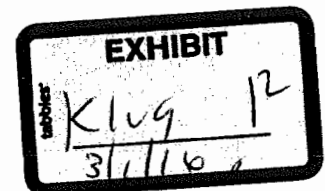
**From:** Jamison Peter (DOJ) [mailto:Peter.Jamison@state.de.us]  
**Sent:** Monday, August 08, 2011 1:37 PM  
**To:** Yeu, Laura V  
**Subject:** RE: Delaware Exemption From Securities Registration

Laura, the citation for the Delaware Supreme Court case that I mentioned to you is: *Singer v. Magnavox Co.*, 380 A.2d 969 (Del. 1977). In *Singer*, the Court held:

"we do not read the Act [the Delaware Securities Act] as an attempt to introduce Delaware commercial law into the internal affairs of corporations merely because they are chartered here. Of course, a Delaware corporation is bound by the Act, if it is otherwise applicable. But it is not bound simply because the company is incorporated here."

Although there are a couple of holdings in *Singer* that have been overturned, this particular holding is still intact and is good law in Delaware. If you have any further questions regarding this matter, please do not hesitate to contact me.

Peter O. Jamison, III  
Securities Commissioner  
Delaware Department of Justice  
820 N. French Street, 5th Floor  
Wilmington, DE 19801  
(302) 577-8940  
(302) 577-6987 (fax)



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**From:** Yeu, Laura V [mailto:YeuL@SEC.GOV]  
**Sent:** Monday, August 08, 2011 9:57 AM  
**To:** Jamison Peter (DOJ)  
**Subject:** RE: Delaware Exemption From Securities Registration

Good morning Peter. I will be joined on the call this morning with my colleagues Michael Paley, Assistant Regional Director, Yitz Klug, attorney, and possibly a few others including Joe Dever, Senior Trial Counsel. My colleagues and I have different cases that all involve similar issues under Delaware law.

I will be rounding up the group in a few minutes and we will call you at the number below. We look forward to speaking with you.

Best,  
Laura

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**From:** Jamison Peter (DOJ) [mailto:Peter.Jamison@state.de.us]  
**Sent:** Friday, August 05, 2011 11:29 AM  
**To:** Yeu, Laura V  
**Subject:** RE: Delaware Exemption From Securities Registration

That would be fine. Please call me then.

Peter O. Jamison, III  
Securities Commissioner  
Delaware Department of Justice  
820 N. French Street, 5th Floor  
Wilmington, DE 19801  
(302) 577-8940  
(302) 577-6987 (fax)

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**From:** Yeu, Laura V [mailto:YeuL@SEC.GOV]  
**Sent:** Friday, August 05, 2011 11:12 AM  
**To:** Jamison Peter (DOJ)  
**Cc:** Paley, Michael D.  
**Subject:** Re: Delaware Exemption From Securities Registration

Thank you. I am available Monday morning. How is 10 am?

Regards,

Laura Yeu

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**From:** Jamison Peter (DOJ) [mailto:Peter.Jamison@state.de.us]  
**Sent:** Friday, August 05, 2011 11:08 AM  
**To:** Yeu, Laura V  
**Subject:** RE: Delaware Exemption From Securities Registration

Ms. Yeu, I would be available most of next week (except Thursday) to talk with you. Please let me know what would be convenient for you.

Peter O. Jamison, III  
Securities Commissioner  
Delaware Department of Justice  
820 N. French Street, 5th Floor  
Wilmington, DE 19801  
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**From:** Yeu, Laura V [mailto:YeuL@SEC.GOV]  
**Sent:** Monday, August 01, 2011 8:37 AM  
**To:** Jamison Peter (DOJ)  
**Subject:** FW: Delaware Exemption From Securities Registration

Peter,

I am following up on the below e-mail from my colleague, Yitz Klug, regarding Rule 504 of Regulation D and Section 7309(b)(8) of the Delaware Securities Act. I have attached the letter that Yitz previously forwarded to you. I would appreciate the opportunity to speak with you or someone else on your staff concerning this matter. Anytime today before 1 pm works for me. Please let me know your availability.

Thank you.

Regards,  
Laura Yeu

Laura Yeu  
Senior Counsel  
U.S. Securities and Exchange Commission  
Division of Enforcement  
New York Regional Office  
3 World Financial Center, Suite 400  
New York, NY 10281-1022  
Direct: (212) 336-0187  
e-mail: YeuL@sec.gov

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**From:** Jamison Peter (DOJ) [mailto:Peter.Jamison@state.de.us]  
**Sent:** Friday, November 19, 2010 9:27 AM  
**To:** Klug, Yitzchok  
**Subject:** RE: Delaware Exemption From Securities Registration

Yitz, I have reviewed Ms. Sourlis' letter of August 23, 2010 to the Manhattan Transfer Registrar Company, and it does appear that Ms. Sourlis' interpretation of 6 Del. C. sec. 7309(b)(8) and section 510 of the Rules and Regulations Pursuant to the Delaware Securities Act is correct. That being said, if the SEC believes that the use of the Delaware exemption at section 7309(b)(8) in this particular case is contrary to the public interest, please let me know. Delaware does have a procedure that authorizes the Commissioner to withdraw an exemption on a general or case-by-case basis.

Thanks.

**Peter O. Jamison, III**  
Securities Commissioner  
Delaware Department of Justice  
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Wilmington, DE 19801  
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**From:** Klug, Yitzchok [mailto:KLUGY@SEC.GOV]  
**Sent:** Wednesday, November 10, 2010 6:08 PM  
**To:** Jamison Peter (DOJ)  
**Cc:** Paley, Michael D.  
**Subject:** Delaware Exemption From Securities Registration

Peter,

As we discussed on the phone, I am attaching an opinion letter authored by Virginia Sourlis which cites various sections of the Delaware Securities Act in support of her contention that the purchaser, E-Lionheart Associates, LLC may purchase unrestricted shares of stock from issuer GolP Global, Inc. without the shares being registered.

Rule 504 of Regulation D provides an exemption from the registration requirements of the federal securities laws for some companies if they follow certain rules. The exemption provides that general solicitation is permitted by the issuer and the purchaser may acquire freely transferable securities when the securities are issued under a state law exemption that permits general solicitation and general advertising as long as the sales are made to "accredited investors" as defined in Regulation D.

I suspect that this is only the first of many letters SEC staff will see citing Delaware state law. My colleagues and I would be grateful if you would render an opinion as to the justification of Ms. Sourlis in citing the Delaware Securities Act in her opinion letter.

Please contact me with any questions you might have

Thank you,  
Yitz Klug

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Yitzchok Klug  
Staff Attorney  
U.S. Securities and Exchange Commission  
New York Regional Office  
3 World Financial Center  
Suite 400  
New York, New York 10281  
(212) 336-0112